

2000: The Year in Review

Certificate of Need Activities of the Missouri Health Facilities Review Committee



Certificate of Need

Effective • Efficient • Accountable

<http://www.health.state.mo.us/CON/Title.html>

Message from the Chair



Thank you for your continuing interest in our Certificate of Need (CON) activities. This report will describe who we are, why we exist, what we accomplished in 2000, and where we are going from here.

The mission of the Missouri Health Facilities Review Committee (Committee) is **to achieve the highest level of health for Missourians through cost containment, reasonable access, and public accountability.** The stated goals are to review proposed health care services, address community need, manage health costs, promote economic value, negotiate competing interests, prevent unnecessary duplication, and to disseminate health related information to interested and affected parties.

Last year was another busy year for the Committee. The Committee reviewed 71 CON applications for projects valued at over \$334 million. In addition, the Committee considered 114 non-applicability requests valued at nearly \$54 million. As a result of Committee actions, the CON review process resulted in capital cost reductions of over \$5 million. In addition, six CONs were forfeited, resulting in \$47 million in cost reductions, and three CONs were reissued, resulting in nearly \$6 million saved. With over \$58 in outright cost reductions, CON was very effective in containing health care costs.

A special challenge in 2000 was the development of recommendations to modernize and streamline the CON review process. The Committee made a concerted effort in 2000 to realign the CON Program to be more responsive to the needs of Missourians. To this end, the Committee hosted a Workshop (see page 9) to discuss and debate issues relating to long term care, hospitals, and ambulatory service settings. The Committee invited elected officials, state government department officials, community and business leaders, health care provider associations, and consumer groups to provide input into the discussions. The Committee used the results of these discussions to formulate a plan to update the CON Statute.

Our Committee and CON Program Staff are dedicated to the continual improvement of the CON process. We are committed to finding better ways to streamline this process; to recognize the health care industry's shift from facility-based to service-based health care delivery; and to be more proactive through effective issue-oriented health planning. Not only is it important that government monitor and manage health resources in a sound business framework, it should also stimulate innovative approaches which improve access, restrain costs, and increase quality for everyone in our state.

Continued cooperation among the Committee, Staff, the Certificate of Need Technical Advisory Council (CONTAC) and interested parties exemplified the benefits of conscientious health care planning in 2000, which will continue to be an ever-increasing part of the CON process as the Committee strives to meet its mission.

Together, we CAN make a difference!

A handwritten signature in black ink that reads "Patrick Brady".

Patrick R. Brady, 2000 Chair

Function and Purpose . . .

What Is CON?

Certificate of Need (CON) was designed to restrain unnecessary health care expenditures. The original Missouri CON Statute (§197.300 through §197.365) became effective September 28, 1979, and fully operational October 1, 1980. It is specifically intended to address issues of community need, accessibility, financing, and other community health service factors, plus continuing concerns about high health care costs.

CON promotes cost containment, better management, and responsive planning by health care providers. It is based on a philosophy of public accountability in the development of new and expanded services.

CON helps to contain costs and tries to assure that local community health needs are appropriately met with a minimum of unnecessary duplication and expense.

Services subject to CON review include, but are not limited to, the following:

- Long term care (residential care facility beds plus intermediate and skilled nursing care beds in nursing homes and hospitals);
- Acute care (medical/surgical, rehabilitation, psychiatric, substance abuse, outpatient, obstetrical, ambulatory surgery, and long-term acute care); and
- High technology diagnostic/treatment modes (lithotripsy, magnetic resonance imaging [MRI], positron emission tomography [PET], gamma knives, excimer lasers, radiation therapy and cardiovascular services).

Who Makes the Decisions?



Committee meeting in the Senate Lounge of the Capitol Building in Jefferson City.

The Missouri Health Facilities Review Committee (Committee) is legislatively mandated to make decisions on new or expanded health services that exceed certain costs. The Committee is comprised of unpaid individuals including five public members appointed by the Governor and four legislative members, two appointed by the President Pro Tem of the Senate and two appointed by the Speaker of the House.

In 2000, the Committee was supported by the eight employees of the CON Program Staff. The Staff works for the Committee to assist applicants, analyze proposals, monitor compliance with certificates issued, maintain CON records, and handle all other functions for the program.

The Committee conducts public meetings about every two months to make decisions in response to formal written applications. The Staff uses specific Criteria and Standards developed by the Committee to analyze applications.

As part of their decision-making process, the Committee considers the applications and Staff analyses, using a balance of objective and subjective information.

Health Care Cost Challenge

The Committee's current Rules contain detailed objective information which is available to potential applicants to help them respond to the following three review criteria:

- **Community Need** for the proposed service;
- **Financial Feasibility** of the proposed service; and
- **Alternatives** which are less costly and more effective.

Committee members may consider other information, such as the ethnic or religious composition of the service area, emergency situations, osteopathic needs, and local community standards, as a basis for decisions.

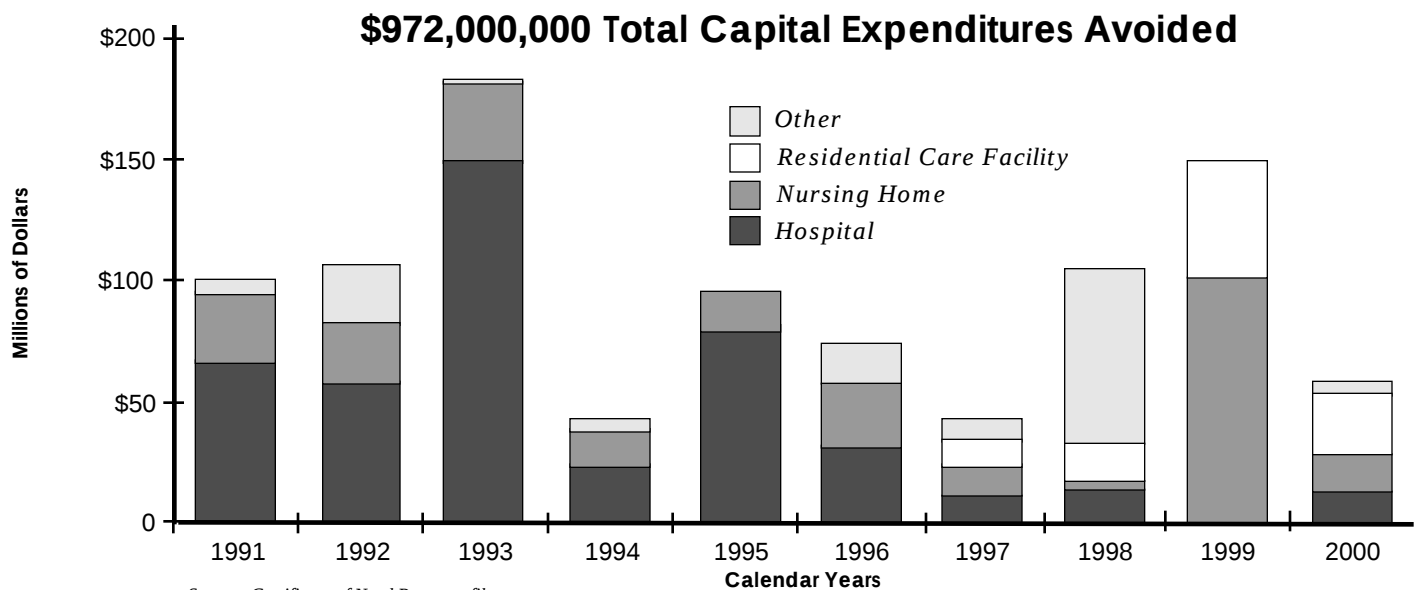
The effectiveness, efficiency, and accountability of CON are well documented. This program:

- Saves over \$157 in capital expenditures for every \$1 spent to administer the program;
- Assures accountability to the public through public meetings and many opportunities for input;
- Protects the community by limiting unnecessary health care services and inappropriate expenses; and
- Promotes planning through sound management and community need assessment.

Unneeded annual capital expenditures were also avoided because of the "sentinel" effect of the CON Program. As shown on the graph below, the value of Letters of Intent (LOI) which never reached the application stage was \$56.4 million in 2000. This was a significant decrease over the \$150 million for 1999, but it should be noted that the number of LOIs increased dramatically in 1999 due to pending legislative changes.

How Are CON Decisions Made?

CON Successes



Application Volume Up

Type of Project	Number of Applications	Proposed Capital Costs	Approved		Withdrawn Denied	Capital Cost Savings	
			As Is	Less			
Projects							
Hospitals	25	\$230,532,990	20	4	0	1	\$ 2,516,184
Nursing Homes	22	54,280,479	21	1	0	0	1,200,000
Freestanding	6	19,906,011	5	0	0	1	1,606,680
Residential Care	14	17,738,385	14	0	0	0	0
Cost Overruns	4	11,857,628	4	0	0	0	0
SUB-TOTAL	71	\$334,315,493	65	5	0	2	\$5,322,864
Non-Applicability	114	53,780,633	114	0	0	0	n / a
GRAND TOTAL	185	\$388,096,126	179	5	0	2	\$5,322,864

Application Volume

Last year was very busy as the number of CON applications which were reviewed increased to 71 from the 57 reviewed in 1999. Total proposed capital costs of those applications exceeded \$334 million, which represented an 50% increase from the previous year. The average project cost in 2000 of \$4.7 million was much higher than the average project cost of \$3.9 million in 1999.

In addition to CON applications, the Committee also reviewed 114 non-applicability requests with estimated total costs of nearly \$54 million, which is much lower than the total costs of nearly \$80 million in 1999. This streamlined, short-form application process was established by Rule, in December 1996, to review requests for the exceptions and exemptions set out in the CON Statute. This process allowed the Committee and Staff to deal with such requests in a consistent, timely and efficient manner.

Continued Cost Savings

Committee decisions in 2000 saved over \$5 million in capital costs (see table above) as compared to nearly \$23 million in 1999. Much of the high success rate of proposals submitted in 2000 can be attributed to applicants working more closely with Staff and the Committee to assure that their applications complied with applicable Criteria and Standards.

In addition, compliance monitoring of existing CONs resulted in forfeiture of six CONs with a total capital cost of \$47.4 million, and resulted in the reissuance of three CONs with a total capital cost savings of \$5.8 million. Significant savings that do not have a specific financial amount tagged to them, but were very cost-effective, also resulted from:

- Pre-application consultations with applicants, which reduced costs through smaller and reconfigured projects;
- Prevention of proposals in geographic areas with no need; and
- Voluntary cost reductions below CON expenditure minimums.

Major Review Areas

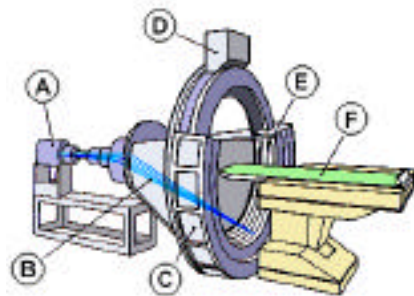
Eight of the 25 hospital projects reviewed included the acquisition of major medical equipment, such as magnetic resonance imaging (MRI) scanners, linear accelerators, positron emission tomography (PET) scanners and magnetoencephalography (MEG) units (see the table below). Thirteen hospital projects included renovation, modernization and expansion of existing services. Two hospital projects created new services, one developed an outpatient services building and the other established a new open heart surgery program. One hospital project replaced a 57-bed acute care facility: the antiquated Cameron Community Hospital with a new state-of-the-art facility (see pictures on page 14).

Six projects for freestanding services were reviewed and approved. This was an increase from the four reviewed in 1999. Two of these projects were for PET services, and the other four included involved an ambulatory surgery center (ASC), a diagnostic imaging center, a radiation oncology center, and a dialysis clinic.

High tech diagnostic and treatment equipment continued to be a leading area of development. The Committee reviewed nine applications which included the acquisition or replacement of major medical equipment with total costs of nearly \$26 million. MRIs (three-dimensional non-X-ray scanners) were included in most of the applications. Linear accelerators made up the remaining applications. Two PET scanners were approved in 2000. The number of high tech units involved in CON applications were as follows:

Type	Replacement	New	Total
MRI	2	1	3
Linear Accel.	3	1	4
PET	0	4	4
MEG	0	1	1
TOTAL	5	7	12

A new form of ultrafast computerized tomography (CT) scanning was introduced in 2000, called electron beam computed tomography (EBCT). EBCT is an innovative outgrowth of CT technology specifically developed to image fast enough to freeze the beating heart. One such EBCT device was approved through the non-applicability review process. This high-tech equipment is illustrated in the diagram below:



- A: ELECTRON GUN**
Permits 640 mA of X-ray power for fast, low-noise studies.
- B: ELECTRON BEAM**
Allows millisecond scanning.
- C: SELF-CONTAINED INTERNAL COOLING SYSTEM**
Eliminates interscan delay, permits higher throughput, longer volume studies.
- D: DATA ACQUISITION SYSTEM**
Continuous acquisition of CT data; up to 126 levels in 15 seconds.
- E: TARGET-RING**
Comprised of multiple targets for optimal single-slice or multi-slice scanning modes
- F: PRECISE, HIGH-SPEED COUCH MOTION**
Makes continuous volume scanning possible.

Acute Care and Freestanding

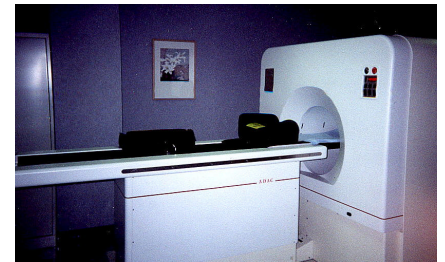


Lucy Lee Healthcare System expansion project in Poplar Bluff.



Dialysis Clinic, Inc. replacement project in Kansas City.

High-Tech Equipment



PET Scanner at Medical Plaza Imaging Associates in Kansas City.



MEG Service established at St. Louis University Hospital in St. Louis.

Major Review Areas Cont'd.

Long-Term Care

An abbreviated review schedule and CON application package were developed to expedite long term care (LTC) applications for bed purchases and bed replacements. In 2000, 567 LTC beds were approved for purchase, and 515 LTC beds were approved for replacement/relocation.

The number of CON applications for nursing homes increased to 21 from the 15 reviewed in 1999. Seven of the applications were for replacement projects, and 14 were for bed expansions under the provisions of Senate Bill 326. There were no CON applications for the development of new nursing homes.

The "minimum occupancy requirement" (formerly known as the "LTC bed moratorium") for additional intermediate care facility/skilled nursing facility (ICF/SNF) and residential care facility (RCF) beds continued to be effective in restraining growth. For the year 2000, the available bed occupancy rate averaged less than 80% statewide for ICF/SNF beds (compared to 82% for 1999) and 78% for RCF beds (compared to 77% for 1999). Therefore, the statewide average occupancy for ICF/SNF beds declined slightly, and the statewide average occupancy for RCF beds improved slightly.

Abbreviated Reviews

The totals in the Application Volume table on page 6 include 35 abbreviated CON applications for long-term care (LTC) projects to replace or expand facilities pursuant to the provisions of Senate Bill 326. This expedited process was developed in 1999



Architect's rendition of Branson Meadow Assisted Living replacement project in Branson.

Other Business Items

Continued compliance monitoring and other activities resulted in the Committee dealing with 19 "Other Business" items during the year. These projects all related to certificates which had previously been issued:

Type of Business	Number
Reissuance of CONs	2
Potential Forfeitures	6
Voluntary Forfeitures	3
Cost Overruns	4
Site Change Requests	3
Second Extension Requests	2
All Others	3
TOTAL	19

Other Areas

On behalf of the Committee, the CON Program Staff conducted a **survey** of stakeholders in the health care industry to solicit opinions and recommendations on how to improve the CON review process. The Legislative Subcommittee of the Missouri Health Facilities Review Committee reviewed the responses received from the survey.

The Subcommittee subsequently conducted a **Critical Analysis of CON in Missouri Workshop** at the Lake of the Ozarks on October 22-23, 2000, to discuss and debate issues identified in the survey relating to long term care, hospitals, and ambulatory service settings. The objective of the Workshop was to identify areas for input into the legislative process relative to the CON Statute. The Committee invited elected officials, state government department officials, community and business leaders, health care provider associations, and consumer groups to provide input into the discussions and to prioritize key issues.

Key Issues were identified at the Workshop and grouped into four major discussion areas, as follows: (1) review process; (2) applicability; (3) data; and (4) other. The Committee used the results of these discussions to formulate a plan to update the CON Statute.

The result of this collective effort was the drafting of proposed legislation which incorporated the opinions, suggestions, and critical evaluations or changes solicited from the Workshop participants on how to update the CON process to make it responsive to today's changing health care needs. **Senate Bill 235**, introduced into the Missouri Legislature in the 2001 session, would not only streamline the CON review process, but would change the focus of review from expenditure minimums to a service-based approach.

In 2000, the CON Program Staff developed **technical white papers** on high-tech equipment for the imaging modalities of PET, MEG, and EBCT.

PET is a device that produces powerful images of the human body's biological functions. Compounds like simple sugars (glucose, for example) are labeled with signal-emitting tracers and are injected into the patient. A scanner records the signals these tracers emit as they journey through the human body and collect in various organs targeted for examination.

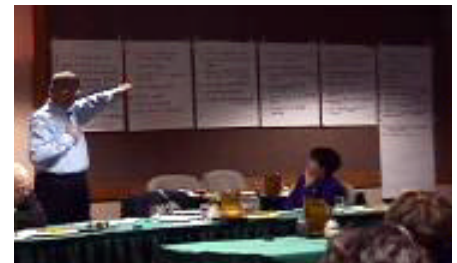
MEG is a non-invasive method used to inform doctors about the function and structure of the brain. MEG technology evaluates the normal functioning of the brain, and it provides a means for detecting abnormalities caused by disease.

EBCT is an innovative outgrowth of CT technology specifically developed to image fast enough to freeze the beating heart. EBCT operates on the principle of electron beam tomography, in which moving electrons originating at the electron gun are bent electromagnetically into one of four tungsten target rings lying in the gantry below the patient (see diagram on page 7).

CON Legislation

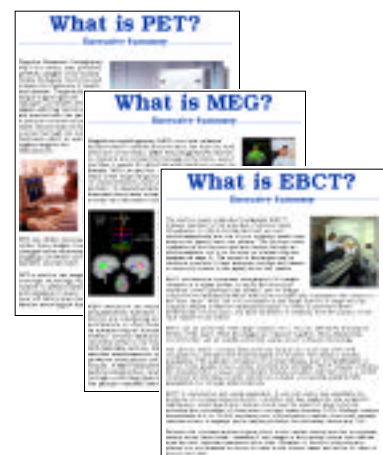


The Committee Critical Analysis of CON Workshop held in Lake Ozark.



Committee Vice Chair Douglas Guthals leading the discussion on Key Issues in Lake Ozark.

High-Tech Equipment Papers



Committee Members

Patrick R. Brady, Chair, Democrat, Kansas City

Appointed in November 1996; is a health care consultant specializing in managed health care. He was formerly Executive Vice President (retired) with Humana (formerly Michael Reese Health Plan) in Chicago and former Executive Director of Truman Medical Center in Kansas City. He has been active in the Group Health Association of America.



Patrick R. Brady

Douglas W. Guthals, Vice-Chair, Democrat, Gladstone

Appointed in February 1997; is an educator with the North Kansas City School District, and has extensive experience with the National Education Association. He has authored numerous publications relating to substance abuse, computers, and social studies. He has worked with various committees focusing on curricula, negotiations, health, and computer technology.



Douglas W. Guthals

John H. Goffstein, Democrat, St. Louis

Appointed in August 1999; is a member in the law firm of Bartley, Goffstein, Bollato & Lange, L.L.C. He is the recipient of the Outstanding Young Lawyer Award of St. Louis County. He serves as a member of the Disciplinary Committee appointed by the Missouri Supreme Court. He has authored several professional articles. He is currently engaged in the general practice of law, primarily representing working people and their families in Missouri.

Nancy J. Stemme, Republican, St. Louis

Appointed in August 1999; is Director of Human Resources at Mallinckrodt Inc., providing broad human resources support for the corporation's Respiratory Group. She formerly served as the corporation's Director of Compensation and Benefits, in which position she negotiated vendor agreements for health and welfare benefit programs. She is a member of Mallinckrodt's Employee Benefits Committee with fiduciary responsibility for corporate welfare benefit and pension programs.

H. Bruce Nethington, Republican, St. Louis

Appointed in May 2000; was Vice President (retired) for Human Resources with Laclede Steel Company in St. Louis. Professional activities include the Southwestern Illinois Industrial Association where he served as Chairman of the Health Care Committee; St. Louis Salary Group; American Iron and Steel Institute; St. Louis HEDIS Task Force; and a board member of the St. Louis Area Business Health Coalition.



H. Bruce Nethington



Nancy J. Stemme



John H. Goffstein



Sen. Mary Groves Bland

Senator Mary Groves Bland, Democrat, Kansas City

Appointed in January 1999; elected to the House of Representatives in 1980–1994; elected to the Senate in 1998–2000; serves on the following committees: Aging, Families and Mental Health; Appropriations; Co-Vice Chair, Civil and Criminal Jurisprudence; Co-Vice Chair, Financial and Governmental Organization, Veterans' Affairs and Elections; Co-Chair, Labor and Industrial Relations; and Public Health and Welfare; five times voted as one of Kansas City's Most Influential persons; received the NAACP Humanitarian Award.

Representative Jim Murphy, Republican, Crestwood

Appointed in October 1995; elected to the House of Representatives in 1982–2000; serves on the following committees: Consumer Protection, Elections, and the Joint Committee on Pensions. He is a retired businessman; past president of the St. Louis Chapter of the Missouri Restaurant Association; past president of the American Drive-In Operators Association; and an author and publisher. He is the 1984 recipient of the St. Louis Globe-Democrat newspaper Public Service Award.

Representative Charles Q. Troupe, Democrat, St. Louis

Appointed in February 1999; elected to the House of Representatives in 1978–2000; serves on the following committees: Administration and Accounts; Chair, Appropriations-Social Services; Budget; and Commerce and Economic Development; Vice President of The Amalgamated Transit Workers Union, Local 788; and has received many other awards throughout his career.

Senator Betty Sims, Republican, St. Louis

Appointed in March 2000; elected to the Senate in 1994; serves on the following committees: Co-Chair, Aging, Families and Mental Health; Co-Vice-Chair, Civil and Criminal Jurisprudence; Appropriations; Public Health and Welfare; and Transportation. She was elected Asst. Floor Leader for the 2001 Legislative Session and is the President of the Women's Legislative Caucus. She is a business consultant; has served on United Way of Greater St. Louis board; Girl Scout Council of Greater St. Louis, President; Arts and Education Council, Exec. Committee; MO Botanical Garden; Repertory Theater, secretary. Honors for 2000 include: Missouri Advocate of the Year; Legislator of the Year Award; Guardian Angel Award; Alzheimer's Public Awareness Award; Child Day Care Association of St. Louis, "Children's Hero"; Mary Institute Country Day School Laurel Award; and Older Women's League Legislative Award.



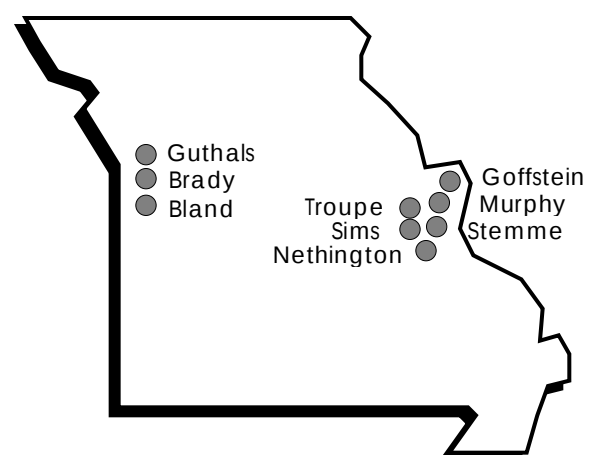
Rep. Jim Murphy



Rep. Charles Q. Troupe



Sen. Betty Sims



Certificate of Need Program Staff Members

Thomas R. Piper, CON Program Director
Administers overall CON program operations; advises and consults with applicants and other interested parties; coordinates electronic data systems; develops and presents project analyses; Committee legislative liaison; and has 28 years experience in planning, regulation and rural health development.



Thomas R. Piper

Phillis S. Singer, Office Manager
Acquires and disseminates information; prepares minutes; manages all production activities; personal computers, supplies/equipment procurement, and government systems; and has extensive experience in office management.



Phillis S. Singer

Alison J. Carter, Financial Secretary
Prepares purchase orders/expense reports; oversees office supplies; maintains financial database; and has substantial experience in state government and private industry.

Sarah M. Didriksen, Management Secretary
Processes non-applicability proposals, CON applications and fees, assists in preparation of the Compendium and meeting materials, conducts reception duties; operates copying and facsimile equipment; processes mail, and has substantial experience in health care and program support.



Sarah M. Didriksen



Kelly S. Stotler
(replaced by Alison J. Carter)



Alison J. Carter



Michael E. Henry

Michael E. Henry, Senior Health Planning Specialist
Reviews and analyzes CON applications; maintains long term care databases; prepares Quarterly Status Reports; assists in Criteria and Standards development; Committee meeting Sergeant-at-Arms; extensive CON and state government experience; construction experience; and expertise in accounting and financial management.

Steven E. Feldman, Health Planning Specialist
Reviews and analyzes CON applications; assists in Criteria and Standards development; conducts rulemaking process; Committee meeting Sign-In Coordinator; and has experience in state government and private business including research, analysis, management, health systems planning, teaching and nursing home administration.



Steven E. Feldman

Donna J. Schuessler, Health Planning Specialist
Reviews and analyzes CON applications; coordinates CON databases; acquires and disseminates information; coordinates compliance monitoring for approved CON projects; manages CON procedures; assists in Criteria and Standards development; and has expansive experience in personal computers, administrative, and state government systems.

Dean A. Linneman, Health Planning Specialist
Reviews and analyzes CON applications; manages/supports computer network; technical support for computer network; Committee meeting Timekeeper; assists in Criteria and Standards development; extensive project development, administrative, and managerial experience.

Daryl Hylton and Bernie Icaza, Assistant Attorneys General
(assigned to assist the Committee and employed by the Office of the Attorney General) Provide legal assistance and counsel to the Committee and Staff; defend the Committee in most CON litigation; and advise the Committee and Staff on Rules development.



Donna J. Schuessler



Dean A. Linneman



Daryl Hylton

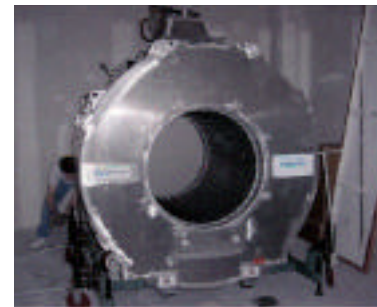


Bernie Icaza

Other Approved Projects



Cape Radiology Group replacement imaging center in Cape Girardeau.



MRI replacement unit at Phelps County Regional Medical Center in Rolla.

Cameron Community Hospital to be replaced with a new 57-bed acute care facility in Cameron.



Nurses prepare patient medications from med carts in a hallway.



Patient in a hallway due to severe overcrowding.



A frequently out-of-order elevator forces staff to pass patients' food trays hand-to-hand through a stairwell.

Acknowledgements

Special thanks to the following health care organizations for providing photographs:
Lucy Lee Healthcare System, Dialysis Clinic, Inc., Medical Plaza Imaging Associates, 4-D Neuroimaging, Branson Assisted Living Center, LLC, Cape Radiology Group, Phelps County Regional Medical Center, and Cameron Community Hospital.

prepared on behalf of the Missouri Health Facilities Review Committee

by the Certificate of Need Program

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